Electric & Gas Industries Association

February 8, 2002

Ms. Laura Doll
Consumer Power and Conservation Financing Authority
901 P Street, Suite 142A
Sacramento, CA 95814

Re: Residential Energy Efficiency Financing

Dear Ms. Doll:

I appreciated the opportunity to attend today's meeting concerning the Energy Resource Investment Plan. I did not provide public comment because I did not have the opportunity to review the plan prior to the meeting.

The Electric & Gas Industries Association (EGIA) is a non-profit trade association. In addition to being an association we are also a consumer lending agency in the state of California as well as many other states around the country. We are currently working with Fannie Mae and other financial institutions helping to bring residentially focused lending products to the over 1,000 contractors using our services. On December 31, 2001 you and Ms. Clinton were gracious enough to meet with my Chief Operating Officer, Kirk Uhler, and me concerning how your organization could effectively implement a consumer-financing program.

I was very happy to see that a program of this nature is being considered as part of your Energy Resource Investment Plan. However, I am concerned with one specific segment of your plan – using utilities as the vehicle to collect the loan repayments. While EGIA has the ability to provide loan origination services irrespective of how you collect the payment, I am concerned that using utilities in the fashion suggested would be both inefficient and costly.

In a private meeting sponsored by your organization in 2001 (run by Mike Weedall) some of the largest utilities in the state indicated they had no desire to implement a system to allow loan repayments through utility bills. In fact, management from SMUD, also in the meeting, indicated that their loan program initially had the loan repayments through the utility bill. After running the program for five years they had significant and costly issues with that type of system. It was only after they converted to a direct consumer billing process that their program improved and bad debt issues were substantially reduced.

If the desire of your organization is to have impacts on energy conservation in the immediate future I do not think it is practical to think that utilities would be able to convert their existing billing systems and develop the expertise needed to manage the loan repayment process (loan servicing) in a timely fashion. In my opinion, the more practical approach would be to have the existing industry infrastructure perform the function – regardless of whether Fannie Mae or another financial entity was involved. This type of process would allow for possibly the most important aspect of a Consumer Power and Conservation Financing Authority program – true statewide coverage regardless of the consumer's utility. Under this type of scenario your organization could dictate the efficiency levels of the products allowed under the program and it would be the responsibility of the loan originator to verify whether or not the proposed consumer

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project meets with your requirements and perform all necessary reporting associated with the program.

Regardless of the loan repayment process ultimately chosen we at EGIA feel we can be of assistance to your organization and the State of California. If you or anyone on your staff has any further questions please do not hesitate in giving me a call at 916-609-5314.

Sincerely,

Tim I. Michel
Chief Executive Officer